

DAVIS COUNTY

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2006

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DAVIS COUNTY

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Steve Evans	Board of Supervisors	Jan. 2007
Dale Taylor	Board of Supervisors	Jan. 2009
Max Proctor	Board of Supervisors	Jan. 2007
Goldie Rysdam	County Auditor	Jan. 2009
Rodger Simmons	County Treasurer	Jan. 2007
Louise Frymoyer	County Recorder	Jan. 2007
Monte Harsch	County Sheriff	Jan. 2009
Rick Lynch	County Attorney	Jan. 2007
Sheila Fite	County Assessor	Jan. 2010

INDEPENDENT AUDITOR'S REPORT

To the Officials of Davis County:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Davis County, Iowa, as of and for the year ended June 30, 2006, which collectively comprise the County's basic financial statements listed in the table of contents. These basic financial statements are the responsibility of Davis County's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Davis County at June 30, 2006 and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated January 8, 2007 on our consideration of Davis County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations and contracts and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The budgetary comparison information on pages 40 through 43 is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

The County has not presented management's discussion and analysis, which introduces the basic financial statements by presenting certain financial information as well as management's analytical insights on that information, that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise Davis County's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2005 (none of which are presented herein). For the two years ended June 30, 2005, we expressed adverse opinions on the governmental activities due to the omission of a complete listing of capital assets and related depreciation and expressed unqualified opinions on each major fund and the aggregate remaining fund information. For the year ended June 30, 2003, we expressed an unqualified opinion on those financial statements. Other supplementary information included in Schedules 1 through 6 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Oskaloosa, Iowa
January 8, 2007

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Basic Financial Statements

DAVIS COUNTY
STATEMENT OF NET ASSETS
June 30, 2006

	<u>Governmental Activities</u>
Assets	
Cash and pooled investments	\$ 2,186,916
Receivables:	
Property tax:	
Delinquent	4,158
Succeeding year	2,463,000
Interest and penalty on property tax	6,059
Accounts	61,519
Accrued interest	8,153
Due from other governments	266,981
Inventories	190,874
Prepaid expenses	76,630
Capital assets, net of accumulated depreciation (note 4)	<u>8,329,798</u>
Total assets	<u>13,594,088</u>
Liabilities	
Accounts payable	281,147
Salaries and benefits payable	15,500
Due to other governments (note 5)	69,742
Health claims incurred but not reported	60,000
Deferred revenue:	
Succeeding year property tax	2,463,000
Long-term liabilities (note 6):	
Portion due or payable within one year:	
Compensated absences	70,255
Portion due or payable after one year:	
Compensated absences	<u>146,080</u>
Total liabilities	<u>3,105,724</u>

DAVIS COUNTY
STATEMENT OF NET ASSETS
June 30, 2006

	<u>Governmental Activities</u>
Net Assets	
Invested in capital assets	\$ 8,329,798
Restricted for:	
Supplemental levy purposes	249,093
Mental health purposes	301,298
Rural services	866,645
Secondary roads	378,910
Other special revenue purposes	69,038
Unrestricted	<u>293,582</u>
Total net assets	\$ <u><u>10,488,364</u></u>

See notes to financial statements.

DAVIS COUNTY
STATEMENT OF ACTIVITIES
Year Ended June 30, 2006

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and and Changes in Net Assets
		Charges for Services	Operating Grants, Contributions and Restricted Interest	
Governmental Activities:				
Public safety and legal services	\$ 784,938	\$ 44,691	\$ 6,010	\$ (734,237)
Physical health and social services	232,623	268	21,188	(211,167)
Mental health	710,395	7,417	168,364	(534,614)
County environment and education	289,898	19,209	51,896	(218,793)
Roads and transportation	3,578,017	154,858	2,169,234	(1,253,925)
Government services to residents	394,816	131,844	93,951	(169,021)
Administration	672,937	60,103	2,227	(610,607)
Non-program	<u>25,310</u>	<u>-</u>	<u>-</u>	<u>(25,310)</u>
Total	<u>\$ 6,688,934</u>	<u>\$ 418,390</u>	<u>\$ 2,512,870</u>	<u>(3,757,674)</u>
General Revenues:				
Property and other county tax levied for:				
General purposes				2,114,328
Mental health				399,602
Penalty and interest on property tax				40,705
State tax credits				161,419
Local option sales and services tax				357,438
Unrestricted investment earnings				104,462
Miscellaneous				<u>30,406</u>
Total general revenues				<u>3,208,360</u>
Change in net assets				(549,314)
Net assets beginning of year, as restated (note 12)				<u>11,037,678</u>
Net assets end of year				\$ 10,488,364

See notes to financial statements.

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DAVIS COUNTY
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2006

	Special Revenue			
	General	Mental Health	Rural Services	Secondary Roads
Assets				
Cash and pooled investments	\$ 166,813	\$ 398,452	\$ 842,994	\$ 287,907
Receivables:				
Property tax:				
Delinquent	2,627	740	791	-
Succeeding year	1,388,000	400,000	675,000	-
Interest and penalty on property tax	6,059	-	-	-
Accounts	26,079	4,047	-	30,795
Accrued interest	8,081	-	-	-
Due from other governments	14,930	-	79,035	168,290
Inventories	-	-	-	190,874
Prepaid expenses	27,387	-	3,807	45,436
Total assets	\$ <u>1,639,976</u>	\$ <u>803,239</u>	\$ <u>1,601,627</u>	\$ <u>723,302</u>

Nonmajor Governmental Funds	Total Governmental Funds
\$ 75,042	\$ 1,771,208
-	4,158
-	2,463,000
-	6,059
598	61,519
72	8,153
4,726	266,981
-	190,874
-	76,630
<u>\$ 80,438</u>	<u>\$ 4,848,582</u>

DAVIS COUNTY
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2006

	Special Revenue			
	General	Mental Health	Rural Services	Secondary Roads
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 56,620	\$ 32,199	\$ 6,965	\$ 173,963
Salaries and benefits payable	-	-	-	15,500
Due to other governments (note 5)	-	69,742	-	-
Deferred revenue:				
Succeeding year property tax	1,388,000	400,000	675,000	-
Other	8,711	740	791	-
Total liabilities	<u>1,453,331</u>	<u>502,681</u>	<u>682,756</u>	<u>189,463</u>
Fund balance:				
Reserved for:				
Inventories	-	-	-	190,874
Prepaid expenses	27,387	-	3,807	45,436
Supplemental levy purposes	174,356	-	47,706	-
Unreserved, reported in:				
General fund	(15,098)	-	-	-
Special revenue funds	-	300,558	867,358	297,529
Total fund balances	<u>186,645</u>	<u>300,558</u>	<u>918,871</u>	<u>533,839</u>
Total liabilities and fund balances	<u>\$ 1,639,976</u>	<u>\$ 803,239</u>	<u>\$ 1,601,627</u>	<u>\$ 723,302</u>

See notes to financial statements.

Nonmajor Governmental Funds		Total Governmental Funds	
\$	11,400	\$	281,147
	-		15,500
	-		69,742
	-		2,463,000
	-		10,242
	<u>11,400</u>		<u>2,839,631</u>
	-		190,874
	-		76,630
	-		222,062
	-		(15,098)
	<u>69,038</u>		<u>1,534,483</u>
	<u>69,038</u>		<u>2,008,951</u>
\$	<u>80,438</u>	\$	<u>4,848,582</u>

DAVIS COUNTY
 RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET ASSETS
 June 30, 2006

Total fund balances of governmental funds	\$ 2,008,951
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds. The cost of assets is \$11,330,093 and the accumulated depreciation is \$3,000,295.	8,329,798
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	10,242
The Internal Service Fund is used by management to charge the costs of self funding of the County's health insurance benefit plan to individual funds. The assets and liabilities of the Internal Service Fund are included in governmental activities in the statement of net assets.	355,708
Long-term liabilities, including compensated absences payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(216,335)</u>
Net assets of governmental activities	<u>\$ 10,488,364</u>
See notes to financial statements.	

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DAVIS COUNTY

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2006

	Special Revenue			
	General	Mental Health	Rural Services	Secondary Roads
Revenues:				
Property and other County tax	\$ 1,421,685	\$ 400,397	\$ 1,054,500	\$ -
Interest and penalty on property tax	40,268	-	-	-
Intergovernmental	233,935	194,310	83,397	2,169,234
Licenses and permits	283	-	-	445
Charges for service	157,351	-	-	-
Use of money and property	161,490	-	-	514
Miscellaneous	7,589	7,417	-	144,597
Total revenues	<u>2,022,601</u>	<u>602,124</u>	<u>1,137,897</u>	<u>2,314,790</u>
Expenditures:				
Operating:				
Public safety and legal services	522,631	-	293,979	-
Physical health and social services	233,142	-	-	-
Mental health	-	710,395	-	-
County environment and education	66,562	-	182,401	-
Roads and transportation	-	-	-	3,040,511
Government services to residents	391,869	-	2,238	-
Administration	685,248	-	25,460	-
Non-program	25,310	-	-	-
Capital projects	-	-	-	244,377
Total expenditures	<u>1,924,762</u>	<u>710,395</u>	<u>504,078</u>	<u>3,284,888</u>
Excess (deficiency) of revenues over (under) expenditures	<u>97,839</u>	<u>(108,271)</u>	<u>633,819</u>	<u>(970,098)</u>
Other financing sources (uses):				
Compensation for loss of capital assets	4,101	-	-	-
Interfund transfers in (note 3)	-	-	-	532,154
Interfund transfers out (note 3)	-	-	(532,154)	-
Total other financing sources (uses)	<u>4,101</u>	<u>-</u>	<u>(532,154)</u>	<u>532,154</u>
Net change in fund balances	101,940	(108,271)	101,665	(437,944)
Fund balances beginning of year	<u>84,705</u>	<u>408,829</u>	<u>817,206</u>	<u>971,783</u>
Fund balances end of year	<u>\$ 186,645</u>	<u>\$ 300,558</u>	<u>\$ 918,871</u>	<u>\$ 533,839</u>

See notes to financial statements.

Nonmajor Governmental		
Funds	Total	
\$ -	\$ 2,876,582	
-	40,268	
9,075	2,689,951	
-	728	
9,519	166,870	
14,480	176,484	
13,574	173,177	
<u>46,648</u>	<u>6,124,060</u>	
2,086	818,696	
-	233,142	
-	710,395	
40,412	289,375	
-	3,040,511	
9,585	403,692	
-	710,708	
-	25,310	
200	244,577	
<u>52,283</u>	<u>6,476,406</u>	
<u>(5,635)</u>	<u>(352,346)</u>	
-	4,101	
-	532,154	
-	(532,154)	
<u>-</u>	<u>4,101</u>	
(5,635)	(348,245)	
<u>74,673</u>	<u>2,357,196</u>	
<u>\$ 69,038</u>	<u>\$ 2,008,951</u>	

DAVIS COUNTY

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES – GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2006

Net change in fund balances - total governmental funds \$ (348,245)

Amounts reported for governmental activities in the statement of activities
are different because:

Governmental funds report capital outlays as expenditures while
governmental activities report depreciation expense to allocate those
expenditures over the life of the assets. The amount of capital outlays and
depreciation expense in the current year are as follows:

Capital outlays	\$ 158,760	
Depreciation expense	<u>(531,786)</u>	(373,026)

Because some revenues will not be collected for several months after the
County's year end, they are not considered available revenues and are
deferred in the governmental funds.

Property tax	(5,214)	
Other	<u>437</u>	(4,777)

Repayment of bond principal is an expenditure in the governmental funds,
but the repayment reduces long-term liabilities in the statement of net
assets. 16,500

Some expenses reported in the statement of activities do not require the use
of current financial resources and, therefore, are not reported as
expenditures in governmental funds, as follows:

Compensated absences	10,241
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The Internal Service Fund is used by management to charge the costs of
employee health benefits to individual funds. The change in net assets
of the Internal Service Fund is reported with governmental activities.

149,993

Change in net assets of governmental activities \$ (549,314)

See notes to financial statements.

DAVIS COUNTY
STATEMENT OF NET ASSETS
PROPRIETARY FUND
June 30, 2006

	Internal Service - Employee <u>Group Health</u>
Assets	
Cash and cash equivalents	\$ <u>415,708</u>
Liabilities	
Health claims incurred but not reported	<u>60,000</u>
Net Assets	
Unrestricted	\$ <u><u>355,708</u></u>
See notes to financial statements.	

DAVIS COUNTY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
PROPRIETARY FUND
Year Ended June 30, 2006

	<u>Internal Service - Employee Group Health</u>
Operating revenues:	
Charges to County operating funds	\$ <u>661,613</u>
Operating expenses:	
Medical claims	392,611
Stop-loss insurance premiums	103,503
Other insurance premiums	6,121
Administrative fees	12,894
Miscellaneous	4,250
Total operating expenses	<u>519,379</u>
Operating income	142,234
Non-operating revenues:	
Interest on investments	<u>7,759</u>
Net income	149,993
Net assets beginning of year	<u>205,715</u>
Net assets end of year	\$ <u><u>355,708</u></u>

See notes to financial statements.

DAVIS COUNTY
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
Year Ended June 30, 2006

	<u>Internal Service - Employee Group Health</u>
Cash flows from operating activities:	
Cash received from charges to other funds	\$ 661,613
Cash payments for medical claims	(387,611)
Cash payments for other fees and services	<u>(126,768)</u>
Net cash provided by operating activities	<u>147,234</u>
Cash flows from investing activities:	
Interest on investments	<u>7,759</u>
Net increase in cash and cash equivalents	154,993
Cash and cash equivalents at beginning of year	<u>260,715</u>
Cash and cash equivalents at end of year	<u>\$ 415,708</u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 142,234
Adjustments to reconcile operating income to net cash provided by operating activities:	
Increase in health claims incurred but not reported	<u>5,000</u>
Net cash provided by operating activities	<u>\$ 147,234</u>

See notes to financial statements.

DAVIS COUNTY
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
June 30, 2006

Assets	
Cash and pooled investments:	
County Treasurer	\$ 468,466
Other County officials	27,251
Receivables:	
Property tax:	
Delinquent	10,166
Succeeding year	5,124,000
Accounts	17,432
Accrued interest	<u>94</u>
Total assets	<u>5,647,409</u>
Liabilities	
Accounts payable	31,700
Salaries and benefits payable	1,167
Due to other governments (note 5)	5,597,396
Trusts payable	1,550
Compensated absences	<u>15,596</u>
Total liabilities	<u>5,647,409</u>
Net assets	\$ <u><u>-</u></u>

See notes to financial statements.

DAVIS COUNTY
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2006

Note 1. Summary of Significant Accounting Policies

Davis County is a political subdivision of the State of Iowa and operates under the Home Rule provisions of the Constitution of Iowa. The County operates under the Board of Supervisors form of government. Elections are on a partisan basis. Other elected officials operate independently with the Board of Supervisors. These officials are the Auditor, Treasurer, Recorder, Sheriff, and Attorney. The County provides numerous services to citizens, including law enforcement, health and social services, parks and cultural activities, planning and zoning, roadway construction and maintenance, and general administrative services.

The County's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Davis County has included all funds, organizations, agencies, boards, commissions and authorities. The County has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the County are such that exclusion would cause the County's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the County to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the County.

These financial statements present Davis County (the primary government) and its component units. The component units discussed below are included in the County's reporting entity because of the significance of their operational or financial relationships with the County.

Blended Component Units – The following component units are entities which are legally separate from the County, but are so intertwined with the County that they are, in substance, the same as the County. They are reported as part of the County and blended into the appropriate funds.

One drainage district has been established pursuant to Chapter 468 of the Code of Iowa for the drainage of surface waters from agricultural and other lands or the protection of such lands from overflow. Although this district is legally separate from the County, it is controlled, managed and supervised by the Davis County Board of Supervisors. The drainage district is reported as a Special Revenue Fund. Financial information of the drainage district can be obtained from the Davis County Auditor's office.

Jointly Governed Organizations – The County also participates in several jointly governed organizations that provide goods or services to the citizenry of the County but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The County Board of Supervisors are members of or appoint representatives to the following boards and commissions: Davis County Assessor's Conference Board, Davis County Joint E-911 Service Board, and Davis County Law Enforcement Communications Board. Financial transactions of these organizations are included in the County's financial statements only to the extent of the County's fiduciary relationship with the organization and, as such, are reported in the Agency Funds of the County.

DAVIS COUNTY
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2006

Note 1. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation

Government-wide Financial Statements – The statement of net assets and the statement of activities report information on all of the nonfiduciary activities of the County and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are supported by property tax, intergovernmental revenues and other nonexchange transactions.

The statement of net assets presents the County's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt attributable to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, which can be removed or modified.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The County reports the following major governmental funds:

The General Fund is the general operating fund of the County. All general tax revenues and other revenues that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, the fixed charges and the capital improvement costs that are not paid from other funds.

Special Revenue:

The Mental Health Fund is used to account for property tax and other revenues designated to be used to fund mental health, mental retardation, and developmental disabilities services.

DAVIS COUNTY
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2006

Note 1. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

Special Revenue (continued):

The Rural Services Fund is used to account for property tax and other revenues to provide services which are primarily intended to benefit those persons residing in the County outside of incorporated city areas.

The Secondary Roads Fund is used to account for secondary road construction and maintenance.

Additionally, the County reports the following funds:

Proprietary Fund - An Internal Service Fund is used to account for the financing of goods or services purchased by one department of the County and provided to other departments or agencies on a cost reimbursement basis.

Fiduciary Funds - Agency Funds are used to account for assets held by the County as an agent for individuals, private organizations, certain jointly governed organizations, other governmental units and/or other funds. Agency Funds are custodial in nature, assets equal liabilities, and do not involve measurement of results of operations.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary fund and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the County considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest are considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the County.

DAVIS COUNTY
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2006

Note 1. Summary of Significant Accounting Policies (continued)

C. Measurement Focus and Basis of Accounting (continued)

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recorded as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the County funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the County's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

The proprietary fund of the County applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the County's internal service fund are charges to customers for sales and services. Operating expenses for internal service funds include the cost of services and administrative expenses. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The County maintains its financial records on the cash basis. The financial statements of the County are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the balance sheet:

Cash, Pooled Investments and Cash Equivalents – The cash balances of most County funds are pooled and invested. Interest earned on investments is recorded in the General Fund, unless otherwise provided by law. Investments are stated at fair value except for non-negotiable certificates of deposit, which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable – Property tax in Governmental Funds is accounted for using the modified accrual basis of accounting.

DAVIS COUNTY
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2006

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the County Board of Supervisors. Delinquent property taxes receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Supervisors to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the Board of Supervisors is required to certify its budget in March of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

The property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 2004 assessed property valuations; is for the tax accrual period July 1, 2005 through June 30, 2006 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2005.

Interest and Penalty on Property Tax Receivable – Interest and penalty on property tax receivable represents the amount of interest and penalty that was due and payable but has not been collected.

Due from Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories – Inventories are valued at cost using the first-in, first-out method. Inventories in the Special Revenue Funds consist of expendable supplies held for consumption. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Capital Assets – Capital assets, which include property, equipment and vehicles, and infrastructure assets (e.g., roads, bridges, curbs, gutters, sidewalks, and similar items which are immovable and of value only to the government), are reported in the governmental activities column in the government-wide statement of net assets. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Reportable capital assets are defined by the County as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Infrastructure	\$ 150,000
Land, buildings and improvements	25,000
Equipment and vehicles	5,000

DAVIS COUNTY
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2006

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

Capital assets of the County are depreciated using the straight line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	5-40
Infrastructure	10-65
Equipment	5-20
Vehicles	5

Due to Other Governments – Due to other governments represents taxes and other revenues collected by the County and payments for services which will be remitted to other governments.

Trusts Payable – Trusts payable represents amounts due to others which are held by various County officials in fiduciary capacities until the underlying legal matters are resolved.

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of the succeeding year property tax receivable, delinquent property tax receivables and other receivables not collected within sixty days after year end.

Deferred revenue in the statement of net assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Compensated Absences – County employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide, proprietary fund and fiduciary fund financial statements. A liability for these amounts is recorded in the governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2006. The compensated absences liability attributable to the governmental activities will be paid primarily by the General, Rural Services and Secondary Roads Funds.

Long-term Liabilities – In the government-wide financial statements and the proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or proprietary fund statement of net assets. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

DAVIS COUNTY
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2006

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

In the governmental fund financial statements, the face amount of debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Balances – In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2006, disbursements in one department exceeded the amount appropriated.

Note 2. Cash and Pooled Investments

The County's deposits in banks at June 30, 2006 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. The chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The County is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Supervisors; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The County's funds are all deposited in financial institution depository accounts.

Note 3. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2006 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Special Revenue: Secondary Roads	Special Revenue: Rural Services	\$ <u>532,154</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

DAVIS COUNTY
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2006

Note 4. Capital Assets

A summary of capital assets activity for the year ended June 30, 2006 is as follows:

	Balance Beginning of Year, as Restated (note 12)	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 1,040,791	\$ -	\$ -	\$ 1,040,791
Capital assets being depreciated:				
Buildings	731,865	-	-	731,865
Machinery and equipment	3,486,443	158,760	7,989	3,637,214
Infrastructure	5,920,223	-	-	5,920,223
Total capital assets being depreciated	<u>10,138,531</u>	<u>158,760</u>	<u>7,989</u>	<u>10,289,302</u>
Less accumulated depreciation for:				
Buildings	279,785	22,449	-	302,234
Machinery and equipment	1,931,669	373,226	7,989	2,296,906
Infrastructure	265,044	136,111	-	401,155
Total accumulated depreciation	<u>2,476,498</u>	<u>531,786</u>	<u>7,989</u>	<u>3,000,295</u>
Total capital assets being depreciated, net	<u>7,662,033</u>	<u>(373,026)</u>	<u>-</u>	<u>7,289,007</u>
Governmental activities capital assets, net	<u>\$ 8,702,824</u>	<u>\$ (373,026)</u>	<u>\$ -</u>	<u>\$ 8,329,798</u>

DAVIS COUNTY
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2006

Note 4. Capital Assets (continued)

Depreciation expense was charged to the following functions:

Governmental activities:

Public safety and legal services	\$ 17,233
County environment and education	2,818
Roads and transportation	484,272
Government services to residents	6,953
Administration	<u>20,510</u>

Total depreciation expense - governmental activities	<u><u>\$ 531,786</u></u>
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Note 5. Due to Other Governments

The County purchases services from other governmental units and also acts as a fee and tax collection agent for various governmental units. Tax collections are remitted to those governments in the month following collection. A summary of amounts due to other governments is as follows:

<u>Fund</u>	<u>Description</u>	<u>Amount</u>
Special Revenue:		
Mental Health	Services	\$ <u><u>69,742</u></u>
Agency:		
County Assessor	Collections	\$ 212,995
Schools		3,139,211
Area Schools		166,083
Corporations		929,605
Townships		136,328
Auto License and Use Tax		116,379
County Hospital		654,539
All Other		<u>242,256</u>
Total for agency funds		<u><u>\$ 5,597,396</u></u>

DAVIS COUNTY
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2006

Note 6. Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2006 is as follows:

	Capital Loan Notes	Compensated Absences	Total
Balance beginning of year	\$ 16,500	\$ 226,576	\$ 243,076
Increases	-	70,255	70,255
Decreases	16,500	80,496	96,996
Balance end of year	<u>\$ -</u>	<u>\$ 216,335</u>	<u>\$ 216,335</u>
Due within one year	<u>\$ -</u>	<u>\$ 70,255</u>	<u>\$ 70,255</u>

Note 7. Short-Term Debt Activity

During the year ended June 30, 2006, the County entered into short-term loans from the Rural Basic Fund to the General Basic Fund and the General Supplemental Fund. The loans were necessary to provide temporary financing during periods of low cash flow. A summary of the activity for the year ended June 30, 2006 is as follows:

	Balance Beginning of Year	Loans Received	Loans Repaid	Balance End of Year
General Basic Fund	\$ -	\$ 250,000	\$ 250,000	\$ -
General Supplemental Fund	-	100,000	100,000	-
	<u>\$ -</u>	<u>\$ 350,000</u>	<u>\$ 350,000</u>	<u>\$ -</u>

Note 8. Pension and Retirement Benefits

The County contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Most regular plan members are required to contribute 3.70% of their annual covered salary and the County is required to contribute 5.75% of covered salary. Certain employees in special risk occupations and the County contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The County's contributions to IPERS for the years ended June 30, 2006, 2005 and 2004 were \$109,173, \$102,208, and \$95,259, respectively, equal to the required contributions for each year.

DAVIS COUNTY
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2006

Note 9. Risk Management

Davis County is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 331.301 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool with over 531 members from various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine, and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 300 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The County's property and casualty contributions to the risk pool are recorded as expenditures from its operating funds at the time of payment to the risk pool. The County's annual contributions to the Pool for the year ended June 30, 2006 were \$98,795.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured in an amount not to exceed \$2,650,000 per claim and \$5,000,000 in aggregate per year. For members requiring specific coverage from \$2,000,000 to \$10,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$100,000 each occurrence, each location, with excess coverage reinsured on an individual member basis.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event that a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. The County does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable that such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2006, no liability has been recorded in the County's financial statements. As of June 30, 2006, settled claims have not exceeded the risk pool or reinsurance company coverage since the pool's inception.

DAVIS COUNTY
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2006

Note 9. Risk Management (continued)

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days prior written notice may withdraw from the Pool. Upon withdrawal, payments for all claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its capital contributions. However, the refund is reduced by an amount equal to the annual operating contribution which the withdrawing member would have made for the one year period following withdrawal.

The County also carries commercial insurance purchased from other insurers for coverage associated with workers compensation and employee blanket bond in the amount of \$500,000 and \$50,000, respectively. The County assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 10. Employee Health Insurance Plan

The Davis County Employee Group Health Fund was established to account for the self funding of the County's health insurance benefit plan. The plan is administered through a service agreement with Employee Group Services, Ltd. The agreement is subject to automatic renewal provisions. The County purchases commercial insurance to provide for aggregate stop loss coverage for the excess of 125% of estimated claims for the plan year and specific stop loss coverage for the excess of \$30,000 in insured claims for any one covered individual. The County assumes liability for claims up to the individual stop loss limitation of \$30,000.

Monthly payments of service fees and plan contributions to the Davis County Employee Group Health Fund are recorded as expenditures from the operating funds. Under the administrative services agreement, monthly payments of service fees and claims processed are paid to Employee Group Services, Ltd. from the Davis County Employee Group Health Fund. The County records the plan assets and related liabilities of the Davis County Health Insurance Fund as an Internal Service Fund. The County's contribution to the fund for the year ended June 30, 2006 was \$661,613.

Amounts payable from the Employee Group Health Fund at June 30, 2006 total \$60,000 which is for incurred but not reported (IBNR) and reported but not paid claims. The amounts are based on actuarial estimates of the amounts necessary to pay prior year and current year claims, and to establish a reserve for catastrophic losses. That reserve was \$355,708 at June 30, 2006 and is reported as net assets of the Employee Group Health Fund. A liability has been established based on the requirements of Government Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Settlements have not exceeded the stop-loss coverage in any of the past three years. A reconciliation of changes in the aggregate liabilities for claims for the current year is as follows:

DAVIS COUNTY
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2006

Note 10. Employee Health Insurance Plan (continued)

Unpaid claims at July 1, 2005	\$ 55,000
Included claims (including claims incurred but not reported at June 30, 2006):	
Current year events	391,399
Prior year events	<u>1,212</u>
Total incurred claims	<u>392,611</u>
Payments:	
Current year events	331,399
Prior year events	<u>56,212</u>
Total payments	<u>387,611</u>
Unpaid claims at June 30, 2006	\$ <u><u>60,000</u></u>

Note 11. County Care Facility

The management and operation of the Davis County Care Facility is provided by ResCare, Inc. The County leases the Care Facility site to ResCare, Inc., under an agreement whereby the County is to reimburse ResCare, Inc. monthly for service provided on a per patient basis. ResCare, Inc. is responsible for normal operating and maintenance costs. The County is responsible for major repairs to the facility and equipment. ResCare, Inc pays the County a monthly fee based on Intermediate Care Facility resident days and Resident Care Facility resident days.

The lease was extended in July 2005 for a term of 36 months until June 30, 2008.

Note 12. Restatement of Beginning Balances

The following beginning balances have been restated to properly reflect the capital assets and accumulated depreciation of Secondary Roads equipment as of July 1, 2005.

	Capital Assets - Machinery and Equipment	Accumulated Depreciation - Machinery and Equipment	Capital Assets Net	Governmental Activities Net Assets
Balance, as previously reported	\$ 223,465	\$ 136,187	\$ 7,235,328	\$ 9,570,182
Adjustments:				
Secondary Roads Equipment	<u>3,262,978</u>	<u>1,795,482</u>	<u>1,467,496</u>	<u>1,467,496</u>
Balance, as restated	<u><u>\$ 3,486,443</u></u>	<u><u>\$ 1,931,669</u></u>	<u><u>\$ 8,702,824</u></u>	<u><u>\$ 11,037,678</u></u>

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Required Supplementary Information

DAVIS COUNTY

Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances – Budget and Actual (Cash Basis) – All Governmental Funds Required Supplementary Information Year Ended June 30, 2006

	Actual	Less Funds not Required to be Budgeted	Net
RECEIPTS:			
Property and other County tax	\$ 2,873,321	\$ -	\$ 2,873,321
Interest and penalty on property tax	40,268	-	40,268
Intergovernmental	2,673,771	-	2,673,771
Licenses and permits	2,486	-	2,486
Charges for service	162,446	-	162,446
Use of money and property	185,215	351	184,864
Miscellaneous	135,545	1,502	134,043
Total receipts	<u>6,073,052</u>	<u>1,853</u>	<u>6,071,199</u>
DISBURSEMENTS:			
Public safety and legal services	814,383	-	814,383
Physical health and social services	238,385	-	238,385
Mental health	695,761	-	695,761
County environment and education	276,990	-	276,990
Roads and transportation	2,911,679	-	2,911,679
Government services to residents	401,970	-	401,970
Administration	704,893	-	704,893
Non-program	26,692	-	26,692
Capital projects	235,520	200	235,320
Total disbursements	<u>6,306,273</u>	<u>200</u>	<u>6,306,073</u>
Excess (deficiency) of receipts over (under) disbursements	(233,221)	1,653	(234,874)
Other financing sources, net	<u>4,101</u>	<u>-</u>	<u>4,101</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(229,120)	1,653	(230,773)
Balance beginning of year	<u>2,000,328</u>	<u>10,956</u>	<u>1,989,372</u>
Balance end of year	<u>\$ 1,771,208</u>	<u>\$ 12,609</u>	<u>\$ 1,758,599</u>

See accompanying independent auditor's report.

Budgeted Amounts		Final to
Original	Final	Net Variance
\$ 2,802,316	\$ 2,802,316	\$ 71,005
38,316	38,316	1,952
3,025,198	3,072,259	(398,488)
325	325	2,161
159,743	270,763	(108,317)
122,777	122,777	62,087
63,350	73,050	60,993
6,212,025	6,379,806	(308,607)
928,316	937,956	123,573
278,945	343,945	105,560
754,000	754,000	58,239
254,959	288,459	11,469
2,583,560	2,961,915	50,236
368,288	445,681	43,711
777,766	777,766	72,873
20,000	27,100	408
400,000	268,820	33,500
6,365,834	6,805,642	499,569
(153,809)	(425,836)	190,962
-	-	4,101
(153,809)	(425,836)	195,063
1,239,999	1,989,365	7
\$ 1,086,190	\$ 1,563,529	\$ 195,070

DAVIS COUNTY

Budgetary Comparison Schedule – Budget to GAAP Reconciliation Required Supplementary Information Year Ended June 30, 2006

	Governmental Funds		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 6,073,052	\$ 51,008	\$ 6,124,060
Expenditures	6,306,273	170,133	6,476,406
Net	(233,221)	(119,125)	(352,346)
Other financing sources	4,101	-	4,101
Beginning fund balances	2,000,328	356,868	2,357,196
Ending fund balances	<u>\$ 1,771,208</u>	<u>\$ 237,743</u>	<u>\$ 2,008,951</u>

See accompanying independent auditor's report.

DAVIS COUNTY

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING
June 30, 2006

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the County Board of Supervisors annually adopts a budget on the cash basis following required public notice and hearing for all funds except blended component units, internal service funds, and agency funds, and appropriates the amount deemed necessary for each of the different County offices and departments. The budget may be amended during the year utilizing similar statutorily prescribed procedures. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control is based upon ten major classes of expenditures known as functions, not by fund or fund type. These ten functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, government services to residents, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, two budget amendments increased budgeted disbursements by \$439,808. These budget amendments are reflected in the final budgeted amounts.

In addition, annual budgets are similarly adopted in accordance with the Code of Iowa by the appropriate governing body as indicated: for the County Extension Office by the County Agricultural Extension Council, for the County Assessor by the County Conference Board, and for the E-911 System by the Joint E-911 Service Board.

During the year ended June 30, 2006, disbursements in one department exceeded the amount appropriated.

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Other Supplementary Information

DAVIS COUNTY
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2006

	Special Revenue			
	County Recorder's Records Management	County Recorder's Electronic Transaction Fee	REAP	Conservation Land Acquisition
Assets				
Cash and pooled investments	\$ 8,656	\$ 590	\$ 5,949	\$ 47,190
Receivables:				
Accounts	418	-	-	180
Accrued interest	26	-	20	-
Due from other governments	-	-	4,726	-
Total assets	<u>\$ 9,100</u>	<u>\$ 590</u>	<u>\$ 10,695</u>	<u>\$ 47,370</u>
Liabilities and Fund Equity				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ 5,500	\$ 5,900
Fund equity:				
Fund balances:				
Unreserved	9,100	590	5,195	41,470
Total liabilities and fund equity	<u>\$ 9,100</u>	<u>\$ 590</u>	<u>\$ 10,695</u>	<u>\$ 47,370</u>

See accompanying independent auditor's report.

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Drainage District	Reserve Officers	Total
<hr/>	<hr/>	<hr/>
\$ 12,609	\$ 48	\$ 75,042
-	-	598
26	-	72
-	-	4,726
<hr/>	<hr/>	<hr/>
\$ <u>12,635</u>	\$ <u>48</u>	\$ <u>80,438</u>
\$ <u>-</u>	\$ <u>-</u>	\$ <u>11,400</u>
<u>12,635</u>	<u>48</u>	<u>69,038</u>
<hr/>	<hr/>	<hr/>
\$ <u>12,635</u>	\$ <u>48</u>	\$ <u>80,438</u>

DAVIS COUNTY

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
Year Ended June 30, 2006

	Special Revenue			
	County Recorder's Records Management	County Recorder's Electronic Transaction Fee	REAP	Conservation Land Acquisition
Revenues:				
Intergovernmental	\$ -	\$ -	\$ 9,075	\$ -
Charges for service	1,695	-	-	5,690
Use of money and property	301	76	277	13,519
Miscellaneous	-	-	-	12,072
Total revenues	<u>1,996</u>	<u>76</u>	<u>9,352</u>	<u>31,281</u>
Expenditures:				
Operating:				
Public safety and legal services	-	-	-	-
County environment and education	-	-	14,705	25,707
Government services to residents	4,000	5,585	-	-
Capital projects	-	-	-	-
Total expenditures	<u>4,000</u>	<u>5,585</u>	<u>14,705</u>	<u>25,707</u>
Excess (deficiency) of revenues over (under) expenditures	(2,004)	(5,509)	(5,353)	5,574
Fund balances beginning of year	<u>11,104</u>	<u>6,099</u>	<u>10,548</u>	<u>35,896</u>
Fund balances end of year	<u>\$ 9,100</u>	<u>\$ 590</u>	<u>\$ 5,195</u>	<u>\$ 41,470</u>

See accompanying independent auditor's report.

<hr/>		
Drainage District	Reserve Officers	Total
<hr/>	<hr/>	<hr/>
\$ -	\$ -	\$ 9,075
-	2,134	9,519
307	-	14,480
1,502	-	13,574
<hr/> 1,809	<hr/> 2,134	<hr/> 46,648
<hr/>		
-	2,086	2,086
-	-	40,412
-	-	9,585
200	-	200
<hr/> 200	<hr/> 2,086	<hr/> 52,283
<hr/>		
1,609	48	(5,635)
<hr/> 11,026	<hr/> -	<hr/> 74,673
<hr/>		
\$ <u>12,635</u>	\$ <u>48</u>	\$ <u>69,038</u>

DAVIS COUNTY
COMBINING SCHEDULE OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
June 30, 2006

	County Offices			Agricultural
	County Auditor	County Recorder	County Sheriff	Extension Education
ASSETS				
Cash and pooled investments:				
County Treasurer	\$ -	\$ -	\$ -	1,524
Other County officials	1,243	23,255	2,753	-
Receivables:				
Property tax:				
Delinquent	-	-	-	124
Succeeding year	-	-	-	64,000
Accounts	-	-	-	-
Accrued interest	-	-	-	-
Total assets	<u>\$ 1,243</u>	<u>\$ 23,255</u>	<u>\$ 2,753</u>	<u>\$ 65,648</u>
LIABILITIES				
Accounts payable	\$ 25	\$ 15,179	\$ 2,406	\$ -
Salaries and benefits payable	-	-	-	-
Due to other governments	-	8,076	15	65,648
Trusts payable	1,218	-	332	-
Compensated absences	-	-	-	-
Total liabilities	<u>\$ 1,243</u>	<u>\$ 23,255</u>	<u>\$ 2,753</u>	<u>\$ 65,648</u>

<u>County Assessor</u>	<u>Law Enforcement Communications</u>	<u>Schools</u>	<u>Area Schools</u>	<u>Corporations</u>	<u>Townships</u>	<u>Brucellosis and Tuberculosis Eradication</u>
\$ 79,926	\$ 50,171	\$ 69,589	\$ 3,777	\$ 16,168	\$ 3,175	\$ 20
-	-	-	-	-	-	-
292	-	5,622	306	2,437	153	2
151,000	-	3,064,000	162,000	911,000	133,000	1,000
103	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>\$ 231,321</u>	<u>\$ 50,171</u>	<u>\$ 3,139,211</u>	<u>\$ 166,083</u>	<u>\$ 929,605</u>	<u>\$ 136,328</u>	<u>\$ 1,022</u>
\$ 5,166	\$ 701	\$ -	\$ -	\$ -	\$ -	\$ -
-	1,167	-	-	-	-	-
212,995	45,867	3,139,211	166,083	929,605	136,328	1,022
-	-	-	-	-	-	-
13,160	2,436	-	-	-	-	-
<u>\$ 231,321</u>	<u>\$ 50,171</u>	<u>\$ 3,139,211</u>	<u>\$ 166,083</u>	<u>\$ 929,605</u>	<u>\$ 136,328</u>	<u>\$ 1,022</u>

DAVIS COUNTY
COMBINING SCHEDULE OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
June 30, 2006

	Auto License and Use Tax	County Hospital	County Watershed	E-911
ASSETS				
Cash and pooled investments:				
County Treasurer	\$ 121,492	\$ 15,309	\$ 77,246	\$ 29,947
Other County officials	-	-	-	-
Receivables:				
Property tax:				
Delinquent	-	1,230	-	-
Succeeding year	-	638,000	-	-
Accounts	-	-	-	17,160
Accrued interest	-	-	-	94
	<hr/>	<hr/>	<hr/>	<hr/>
Total assets	\$ <u>121,492</u>	\$ <u>654,539</u>	\$ <u>77,246</u>	\$ <u>47,201</u>
LIABILITIES				
Accounts payable	\$ 5,113	\$ -	\$ -	\$ 3,110
Salaries and benefits payable	-	-	-	-
Due to other governments	116,379	654,539	77,246	44,091
Trusts payable	-	-	-	-
Compensated absences	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total liabilities	\$ <u>121,492</u>	\$ <u>654,539</u>	\$ <u>77,246</u>	\$ <u>47,201</u>

See accompanying independent auditor's report.

County Recorder's Electronic Transaction Fee		Total
\$	122	\$ 468,466
	-	27,251
	-	10,166
	-	5,124,000
	169	17,432
	-	94
<u>\$ 291</u>		<u>\$ 5,647,409</u>
\$	-	\$ 31,700
	-	1,167
	291	5,597,396
	-	1,550
	-	15,596
<u>\$ 291</u>		<u>\$ 5,647,409</u>

DAVIS COUNTY

COMBINING SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS

Year Ended June 30, 2006

	County Offices			Agricultural
	County Auditor	County Recorder	County Sheriff	Extension Education
ASSETS AND LIABILITIES				
Balances beginning of year	\$ 1,230	\$ 21,157	\$ 2,063	\$ 68,861
Additions:				
Property and other County tax	-	-	-	63,728
E-911 surcharge	-	-	-	-
State tax credits	-	-	-	4,333
Office fees and collections	358	155,659	28,819	-
Auto license, use tax, drivers license and postage	-	-	-	-
Trusts	13	-	32,005	-
Miscellaneous	-	-	-	-
Total additions	371	155,659	60,824	68,061
Deductions:				
Agency remittances:				
To other funds	358	59,041	27,862	-
To other governments	-	94,520	248	71,274
Trusts paid out	-	-	32,024	-
Total deductions	358	153,561	60,134	71,274
Balances end of year	\$ 1,243	\$ 23,255	\$ 2,753	\$ 65,648

<u>County Assessor</u>	<u>Law Enforcement Communications</u>	<u>Schools</u>	<u>Area Schools</u>	<u>Corporations</u>	<u>Townships</u>	<u>Brucellosis and Tuberculosis Eradication</u>
\$ 252,864	\$ 37,447	\$ 3,131,174	\$ 170,679	\$ 805,119	\$ 137,852	\$ 1,024
149,841	-	3,049,840	161,403	897,157	133,419	903
-	-	-	-	-	-	-
10,241	-	197,220	10,740	55,916	8,400	45
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
274	345,058	-	-	-	2,071	-
160,356	345,058	3,247,060	172,143	953,073	143,890	948
-	-	-	-	-	-	-
181,899	332,334	3,239,023	176,739	828,587	145,414	950
-	-	-	-	-	-	-
181,899	332,334	3,239,023	176,739	828,587	145,414	950
\$ 231,321	\$ 50,171	\$ 3,139,211	\$ 166,083	\$ 929,605	\$ 136,328	\$ 1,022

DAVIS COUNTY

COMBINING SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS

Year Ended June 30, 2006

	Auto License and Use Tax	County Hospital	County Watershed	E-911
ASSETS AND LIABILITIES				
Balances beginning of year	\$ 138,225	\$ 686,936	\$ 74,441	\$ 25,401
Additions:				
Property and other County tax	-	634,534	-	-
E-911 surcharge	-	-	-	53,197
State tax credits	-	43,150	-	-
Office fees and collections	-	-	-	-
Auto license, use tax, drivers license and postage	1,632,831	-	-	-
Trusts	-	-	-	-
Miscellaneous	-	-	15,000	10,836
Total additions	1,632,831	677,684	15,000	64,033
Deductions:				
Agency remittances:				
To other funds	66,387	-	-	-
To other governments	1,583,177	710,081	12,195	42,233
Trusts paid out	-	-	-	-
Total deductions	1,649,564	710,081	12,195	42,233
Balances end of year	\$ 121,492	\$ 654,539	\$ 77,246	\$ 47,201

See accompanying independent auditor's report.

County Recorder's Electronic Transaction Fee	Total
\$ 332	\$ 5,554,805
-	5,090,825
-	53,197
-	330,045
-	184,836
-	1,632,831
-	32,018
1,698	374,937
1,698	7,698,689
-	153,648
1,739	7,420,413
-	32,024
1,739	7,606,085
\$ 291	\$ 5,647,409

DAVIS COUNTY
LAW ENFORCEMENT COMMUNICATIONS FUND
SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
Year Ended June 30, 2006

Schedule 5 - Law Enforcement Communications Fund

Additions:

Contributions from other governmental units:

Davis County	\$	172,529	
City of Bloomfield		<u>172,529</u>	\$ <u>345,058</u>

Deductions:

Salaries	175,707	
Benefits	87,218	
Office supplies	3,381	
Training	1,596	
Insurance	3,948	
Utilities	18,355	
Equipment and supplies	27,155	
Building repair and maintenance	13,954	
Miscellaneous	<u>1,020</u>	<u>332,334</u>

Net		12,724
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Balance beginning of year		<u>37,447</u>
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Balance end of year	\$	<u><u>50,171</u></u>
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DAVIS COUNTY

SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION

ALL GOVERNMENTAL FUNDS
FOR THE LAST FOUR YEARS

Schedule 6

	Modified Accrual Basis			
	2006	2005	2004	2003
Revenues:				
Property and other County tax	\$ 2,876,582	\$ 2,861,099	\$ 2,466,694	\$ 2,168,645
Interest and penalty on property tax	40,268	53,938	38,316	44,547
Intergovernmental	2,689,951	2,839,135	2,814,000	3,163,781
Licenses and permits	728	820	990	1,065
Charges for service	166,870	151,202	211,391	129,145
Use of money and property	176,484	103,404	113,572	126,689
Miscellaneous	173,177	147,764	104,984	119,167
Total	<u>\$ 6,124,060</u>	<u>\$ 6,157,362</u>	<u>\$ 5,749,947</u>	<u>\$ 5,753,039</u>
Expenditures:				
Operating:				
Public safety and legal services	\$ 818,696	\$ 778,979	\$ 704,491	\$ 649,625
Physical health and social services	233,142	200,423	217,720	184,250
Mental health	710,395	666,296	678,565	806,038
County environment and education	289,375	273,752	246,627	238,248
Roads and transportation	3,040,511	2,388,723	3,027,803	2,168,179
Government services to residents	403,692	278,451	229,716	224,602
Administration	710,708	719,554	689,855	665,728
Non-program	25,310	8,247	8,948	26,099
Capital projects	244,577	299,927	361,831	740,683
Total	<u>\$ 6,476,406</u>	<u>\$ 5,614,352</u>	<u>\$ 6,165,556</u>	<u>\$ 5,703,452</u>

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Officials of Davis County:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Davis County, Iowa, as of and for the year ended June 30, 2006, which collectively comprise the County's basic financial statements listed in the table of contents and have issued our report thereon dated January 8, 2007. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Davis County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Davis County's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part I of the accompanying Schedule of Findings.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe item I-A-06 is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Davis County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations and contracts, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2006 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the County. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Davis County and other parties to whom Davis County may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Davis County during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Oskaloosa, Iowa
January 8, 2007

DAVIS COUNTY
SCHEDULE OF FINDINGS
Year Ended June 30, 2006

Part I: Findings Related to the General Purpose Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

REPORTABLE CONDITIONS:

I-A-06 Segregation of Duties

Comment – During our review of the internal control structure, the existing procedures are evaluated in order to determine that incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and therefore maximizes the accuracy of the County's financial statements. We noted that generally one or two individuals in the offices identified may have control over the following areas for which no compensating controls exist:

	<u>Applicable Offices</u>
(1) All incoming mail should be opened by an employee who is not authorized to make entries to the accounting records. This employee should prepare a listing of cash and checks received. The mail should then be forwarded to the accounting personnel for processing. Later, the same listing should be compared to the cash receipt records.	Ag Extension, Auditor, Recorder, Sheriff, Treasurer
(2) Bank accounts should be reconciled promptly at the end of each month by an individual who does not sign checks or handle or record cash.	Ag Extension, Auditor, Recorder, Sheriff, Treasurer
(3) Checks or warrants should be signed by an individual who does not otherwise participate in the preparation of the checks or warrants. Prior to signing, the checks or warrants and the supporting documentation should be reviewed for propriety. After signing, the checks or warrants should be mailed without allowing them to return to individuals who prepare the checks or warrants or approve vouchers for payment.	Auditor, Recorder, Sheriff, Treasurer

Recommendation – We realize that with a limited number of office employees, segregation of duties is difficult. However, each official should review the control procedures of their office to obtain the maximum internal control possible under the circumstances. The official should utilize current personnel to provide additional control through review of financial transactions, reconciliations and reports. Such reviews should be performed by independent persons to the extent possible, and should be evidenced by the initials or signature of the reviewer and the date of the review.

DAVIS COUNTY
SCHEDULE OF FINDINGS

Year Ended June 30, 2006

Part I: Findings Related to the General Purpose Financial Statements (continued):

REPORTABLE CONDITIONS (continued):

I-A-06 Segregation of Duties (continued)

Responses –

Ag Extension – We will review procedures and try to make any necessary changes to improve internal control.

County Auditor – The internal control in processing mail, receipts, claims and payroll will be reviewed and evaluated for propriety. The Auditor will evaluate the assignment of personnel in each process and determine if an alternative method would enhance internal controls.

County Recorder – We will review procedures and try to make any necessary changes to improve internal control.

County Sheriff - We will review procedures and try to make any necessary changes to improve internal control.

County Treasurer – We will review procedures and try to make any necessary changes to improve internal control.

Conclusion – Responses accepted.

I-B-06 Payroll – Out of ten employees tested for payroll, the gross pay for one employee was calculated incorrectly. The gross pay was calculated using the budget line item and not the amount approved by the Board of Supervisors. This resulted in the employee being underpaid \$40 for the year ended June 30, 2006.

Recommendation – All payroll amounts should be properly calculated using the Board approved salaries and not budget line items.

Response – We will properly calculate all payroll amounts in the future.

Conclusion – Response accepted.

DAVIS COUNTY
SCHEDULE OF FINDINGS

Year Ended June 30, 2006

Part II: Other Findings Related to Required Statutory Reporting:

- II-A-06 Certified Budget – Disbursements during the year ended June 30, 2006 did not exceed the amounts budgeted in any of the ten County functions. However, disbursements in the custodian department exceeded the amount appropriated.

Recommendation – Chapter 331.434(6) of the Code of Iowa authorizes the Board of Supervisors, by resolution, to increase or decrease appropriations of one office or department by increasing or decreasing the appropriation of another office or department as long as the service area budget is not increased. Such increases or decreases should be made before disbursements are allowed to exceed the appropriation.

Response – Appropriations will be watched more closely by the departments in the future.

Conclusion – Response accepted.

- II-B-06 Questionable Expenditures – No expenditures that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

- II-C-06 Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.

- II-D-06 Business Transactions – The following business transactions between the County and County officials or employees were noted:

<u>Name, Title and Business Connection</u>	<u>Description</u>	<u>Amount</u>
Russell Lundstrom, County Custodian Owner of Russell's Repair	Supplies and Repairs	\$401

In accordance with Chapter 331.342 of the Code of Iowa, the above transaction does not appear to represent a conflict of interest since the cumulative amount was less than \$1,500 during the fiscal year.

- II-E-06 Bond Coverage – Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of all bonds should be reviewed periodically to insure that the coverage remains adequate for current operations.

- II-F-06 Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.

- II-G-06 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the County's investment policy were noted.

- II-H-06 Resource Enhancement and Protection Certification – The County properly dedicated property tax revenue to conservation purposes as required by Chapter 455A.19(1)(b) of the Code of Iowa in order to receive the additional REAP funds allocated in accordance with subsections (b)(2) and (b)(3).

DAVIS COUNTY
SCHEDULE OF FINDINGS
Year Ended June 30, 2006

Part II: Other Findings Related to Required Statutory Reporting (continued):

- II-I-06 County Extension Office – The County Extension Office is operated under the authority of Chapter 176A of the Code of Iowa and serves as an agency of the State of Iowa. This fund is administered by an extension council separate and distinct from County operations and, consequently, is not included in Exhibits A or B.

Disbursements during the year ended June 30, 2006 for the County Extension Office did not exceed the amount budgeted.

The Board Treasurer's bond covered the amount required by Chapter 176A.14(5) of the Code of Iowa.

- II-J-06 Debt Service Payments – We noted that payments of principal and interest for the County's capital loan note were made through the public safety and legal services function rather than the debt service function.

Recommendation – All payments on long-term debt such as capital loan notes should be budgeted and paid through the debt service function of the County to more properly reflect the true functional expenditure totals.

Response – We will properly make all debt service payments through the debt service function in the future.

Conclusion – Response accepted.

- II-K-06 Financial Condition – At June 30, 2006, the General Fund had a negative unreserved, undesignated fund balance of \$15,098.

Recommendation – The County needs to explore alternatives to restore the General Fund to a sound financial condition.

Response – We will investigate alternatives to eliminate this deficit.

Conclusion – Response accepted.

- II-L-06 Tax Sale Redemptions – The County does not record tax sale redemptions and the subsequent payments in the accounting system or general ledger.

Recommendation – The County should set up an Agency Fund to record tax sale redemptions and the subsequent payments.

Response – We will look into setting up such a fund.

Conclusion – Response accepted.

- II-M-06 Self-Insured Health Fund – Chapter 509A of the Code of Iowa requires a Certificate of Compliance to be filed with the Insurance Division of the Iowa Department of Commerce within 90 days after a self-insurance plan's fiscal year end. The County's Certificate of Compliance was filed twelve days late.

Recommendation – The County should insure that all compliance requirements are met for the self-funded health insurance plan.

Response – We will make sure the report is filed timely in the future.

Conclusion – Response accepted.

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